

**ARIZONA CORPORATION COMMISSION
SPECIAL OPEN MEETING MINUTES**

DATE: November 19, 2003

TIME: 10:00 a.m.

PLACE: Arizona Corporation Commission, 1200 W. Washington St.,
Hearing Room, Phoenix Arizona 85007

ATTENDANCE: Quorum of Commissioners. Commissioner Mike Gleason,
Commissioner Kristin Mayes, Commissioner Hatch-Miller in
attendance. See attendance list in Attachment I.

TOPIC: TRACK B WORKSHOP

MATTERS DISCUSSED:

Matt Rowell of Commission Staff welcomed participants and described that the purpose of the meeting was to obtain feedback from participants on how the Track B process works and to obtain proposed changes for the process. Matt introduced the agenda to the discussion. The agenda was designed to solicit responses to the goals of the Track B process. The goals are as follows: Transparent process, Benefit to ratepayers, Manageable transition to competition, Flexible, Open to all bidders, Understandable, Reliable power available at reasonable prices.

An Arizona Public Service Company (APS) representative described the process as open, transparent, and flexible. He described the number of bids and indicated that without the Pinnacle West Energy Corporation (PWEC) bids, APS could not have met their needs.

A Tucson Electric Power Company (TEP) representative described the benefit of presolicitation in dealing with issues such as credit. The independent monitor was described as helpful in mediating the process. TEP discussed having had concern for red tape in the process, but found that it was not an issue. They mentioned receiving no bids on standard products, likely due to the \$10,000 bidder fee. They found timing of the solicitation was a problem as it was right before summer. TEP mentioned not finding significant savings from Track B compared to the usual procurement practices.

An APS representative also mentioned having had concern about red tape, but found that it was not a problem.

A representative of Arizona Competitive Power Alliance described that the process yielded ratepayer benefit. He suggested a need to consider why the bidding was thin. He also suggested that the bidder's fee is a hurdle when identical bids can be made elsewhere

without the fee. Finally, he mentioned concern for affiliate issues and their effect on the bid process.

A representative of Boston Pacific, representing Panda Gila River, viewed the process favorably. He referred to an estimate that ratepayers saved \$70 million 'under market'. He mentioned non-price benefits such as risk protection and reserves. He described the process as a good transition and indicated that the workshops and monitor were valuable. He described the collaborative process as beneficial as the market is not yet mature. Finally he mentioned the concern that some of the offers may have been below cost.

Commission Staff then asked how customer benefit could be measured.

An APS representative responded citing non-monetary benefits.

A representative of Duke agreed that value savings to ratepayers is difficult to quantify. He also discussed the negative affects of rigidity imposed on industry and benefits of flexibility.

A representative of Competitive Power Ventures mentioned the Commission's role in determining how to return savings to customers. He discussed a lack of information available to merchants related to cost savings.

An APS representative discussed the proprietary nature of some information.

A merchant representative described availability of data and indicated a desire for further data.

An APS representative indicated that some information could be shared.

Paul Walker of Chairman Spitzer's office mentioned concern for the failure of parties to submit bids. He mentioned a desire for an analysis of savings through the Track B process vs. what typical utility procurement practices would have yielded. He mentioned a greater concern for the matter of savings realized over what would have happened otherwise, rather than savings realized over a self build option or a PPA.

A representative of Arizona Competitive Power Alliance discussed concern for the effects of the presence of the APS Affiliate.

An APS representative indicated that some data could be shared but that conditions for viewing of the data will need to be determined.

A TEP representative responded to the matter of additional benefits of track B outside a normal process indicating that there was likely no additional benefit realized by TEP.

Commission Staff then asked for comments on secondary procurement protocol.

An APS representative described the number of transactions made with merchants.

A representative of Duke suggested a need for more parameters related to affiliate transactions.

Commission Staff then asked for comments on areas for improvement.

A representative of Murphy Consulting discussed other measures to promote use of renewables.

An APS representative responded that APS supports renewables.

A City of Scottsdale representative mentioned the possibility of rewarding points for renewables in the evaluation process.

Commissioner Gleason suggested that renewables should be promoted through green power programs.

Commissioner Mayes mentioned the possibility of a workshop on distributed generation.

A representative of Arizona Competitive Power Alliance discussed the use of workshops to consider monetizing the differences in price between renewables and other sources.

A representative of Southwestern Power Group discussed possible changes to the credit threshold.

An APS representative announced a forthcoming RFP for the procurement of a plant or long term contract starting in 2007.

Commission Staff concluded the meeting and thanked participants for their attendance and comments.

Attachment I

Attendees at the Track B Workshop On November 19, 2003

Attendee	Organization
Commissioner Mike Gleason	Arizona Corporation Commission
Commissioner Kristin Mayes	Arizona Corporation Commission
Commissioner Jeff Hatch-Miller	Arizona Corporation Commission
Paul Walker	Arizona Corporation Commission
Dean Miller	Arizona Corporation Commission
Adam Stafford	Arizona Corporation Commission
Matthew Rowell	Arizona Corporation Commission
Craig Roach	Boston Pacific/Panda
David Crabtree	Panda Gila River
Eric Brenner	Panda Gila River - TECO
David Hutchens	Tucson Electric Power Company
Deb Scott	Tucson Electric Power Company /UNS Electric
Larry Peterson	Constellation
Chuck Messner	Arizona Public Service Company
AK Krainik	Arizona Public Service Company
Barbara A Klemstine	Arizona Public Service Company
Dan Austin	Pinnacle West Energy Corporation
Chuck Skidmore	City of Scottsdale
Tom Mumaw	Arizona Public Service Company
David Hansen	Arizona Public Service Company
Warren Kotzmann	Pinnacle West Energy Corporation
Bill Meek	Arizona Utility Investor Association
Tim Bolden	Arizona Public Service Company
Scott Wakefield	Residential Utility Consumer Office
Tom Carlson	Arizona Public Service Company
Jay Moyes	PPL
Ed Reyes	Public Service Company of New Mexico
Lisa Ferguson	Duke Energy
Ron Grossarth	Public Service Company of New Mexico
Beck Mayberry	Duke Energy
Tim Blakeley	
Jana Brandt	Salt River Project
Tom Broderick	Competitive Power Ventures
Patrick Black	Fennemore Craig
Paul Li	Bob Lynch
Stephen Ahern	Residential Utility Consumer Office
David Smith	PPL

Adam Miller	Navigant Consulting
Bill Murphy	Murphy Consulting
David Getts	Southwestern Power Group
David Couture	Tucson Electric Power Company
Barbara Keene	Arizona Corporation Commission
Erinn Andreasen	Arizona Corporation Commission
Steve Irvine	Arizona Corporation Commission